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September 12, 1941

"The Economic Theory Behind the Food Stamp Plan
and the
Solution of the Non-Compliance Problem"

By Norman Hall Davis

Private, Battery H
260th Coast Artillery
(Anti-Aircraft)
Fort Bliss, El Paso
Texas

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It is the theory of the plan to increase the purchasing power of these unemployed for food expenditures. This increased purchasing power is to be used for the purchase of surplus commodities only. This intends to increase food consumption and decrease the surplus.

In order to fully understand every phase of this plan, I intend to explain (1) the economic background; (2) the functions of the plan; (3) the non-compliance situation;

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"World War I and its Effect"

The irregularities of our present day economy can be traced almost entirely to the last World War. For it was here that both agriculture and industry expanded to such a large extent in order to meet the current war demand. The result of this vast expansion was the change from a primarily agricultural nation to an industrial nation, as industries tended to increase by far the greatest. However, our interests in the economic background of the Stamp Plan are primarily concerned with the agricultural problem, and only in the industrial expansion because of its consequences to the plan.

From the very day the United States were created into a nation their fundamental economic dependence stressed agriculture. And it remained so until the advent of the "Great War", even though industry was showing great strides. During this period American production was easily consumed; we were still able to export freely to foreign countries. In other words, the demand for agricultural commodities kept on a par with the supply of them. This made for reasonable prices and a willingness, as far as profitability was concerned, to engage in farming. As farm income was profitable, industry also followed a favorable trend because the farms produced a growing income to be spent in the purchase of

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industrial products. It is an established fact that both agriculture and industry are dependent on each other for real economic benefits.

Now, with the increased demand for agricultural goods coming from World War I, we were faced with a truly vast expansion. When the war came, millions of European men, many of them farmers, were put into the army and a shortage of farm labor led to a shortage of crops. As nearly all Europe was engulfed in mortal conflict, they turned to us. Because of the great demand and the shortage in supply, prices for food commodities rose to unprecedented heights. This caused an increase in number of farmers and a very large acreage increase. The natural result was that instead of supplying only our own demands, we were also producing for the world's demand. Naturally, the farm population experienced a tremendous prosperity. It is also important for us to remember the parallel of industry. For it also was faced with a tremendous demand for war supplies and expanded immensely. Thus, both capital and labor joined agriculture in enjoying a tremendous prosperity.

In 1916 Russia, being completely defeated, returned to farming and set her rich Ukraine wheat fields into production. This new farm outlet was not fully felt until after the war. When we entered the supply still didn't fluctuate and then, too, Russia had her revolution and reconstruction period to go through. Moreover, when the war ended there still remained a tremendous demand for farm products and, consequently,

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the price was still very profitable. These prices remained high for a brief period after the war, but Russia had now had ample time to produce food products. In grain, principally wheat, they had a large harvest and as the price was high they flooded the market with the product. The result was a tremendous drop in price because of the enlarged supply in relation to the current demand. In the meantime, our agrarians still produced in large quantities and suffered a considerable drop far below their anticipated earnings.

Unfortunately our farm population has never fully understood how to make the theory of supply and demand work for it. Instead they have adopted a policy of producing equally whether prices are up or down. Consequently, without Government supervision they can clog the wheels of the nation's economy. After the Russian debacle, when prices had taken a great drop, our farmers kept producing abundantly, figuring that though prices were low, they could by selling more make up a considerable amount of the difference. They completely forgot, or neglected to see, that by increasing their products they were not increasing the demand, but only depressing their own price.

The demand for staple commodities is as a whole rather stable and doesn't fluctuate too much either way. The result of this whole affair was to decrease farm prices and start the creation of stores of unused commodities leading to the surplus problem.

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The very simple answer to this trouble would be to increase exports to foreign countries. But unfortunately foreign trade is much more complex. Geographical conditions, the stage of development of industry and agriculture, and natural resources are, for instance, some of the things that must be considered in the conduct of international trade. The law of comparative costs ought to have definite application in this trade. For it should be unwise economically to produce either food or industrial goods when the cost of production is higher than in some other countries. Geographical conditions, natural resources, and industrial and agricultural facilities should determine what each country produces for sale in foreign trade. Naturally then where there is reasonable freedom of trade, all nations tend to produce those goods which can be produced with a minimum of expense and a maximum of efficiency. Consequently, the course of trade in the foreign market is greatly facilitated. Unfortunately, many conditions have developed to interfere with the operation of the law of comparative costs.

Creditor - Debtor Relationship

The creditor and debtor relationship to international trade is shown in the four cycles through which a country passes in its economic growth. The first of these stages is the Immature Debtor stage. This is the stage when a new country must of necessity go on the so-called "Unfavorable

Trade Balance" by importing more commodities than it exports. While this is going on, the Immature Debtor nation must, of course, import foreign capital to purchase the imported goods. The United States were in this cycle up to 1874.

In an Immature Debtor nation, foreign debts are accrued, necessitating it to pay heavy interest charges annually. As time goes on the interest charges increase with the new borrowings until finally a point is reached where the interest charges are higher than the new borrowings. By this time the nation has developed its territory until it is able to export on a much wider scale. In order to pay off this interest and eventually to pay the principal, a change from the "Unfavorable Balance" of trade to the "Favorable" is necessary. This requires exporting more than is imported, thus receiving gold in payment which, in turn, will be used to pay off the interest and the debt. The United States became a Mature Debtor nation in 1874 and entered into the field of a "favorable balance of trade" at the same time.

The third cycle is the Immature Creditor nation. This usually appears when a nation's economic facilities have become settled and are run on an efficient basis. A nation reaching this point looks for wider fields in open trade where the profit will be greater than the existing home market. The result of this cycle is to obtain more foreign investments abroad than nations abroad have of our domestic investments. This means that capital has been exported in larger quantities than has been imported. This can only be

1. The first part of the report deals with the general situation of the country and the progress of the work.

2. The second part of the report deals with the results of the work.

3. The third part of the report deals with the conclusions of the work.

4. The fourth part of the report deals with the recommendations of the work.

5. The fifth part of the report deals with the summary of the work.

6. The sixth part of the report deals with the appendixes of the work.

7. The seventh part of the report deals with the bibliography of the work.

8. The eighth part of the report deals with the index of the work.

9. The ninth part of the report deals with the list of figures of the work.

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14. The fourteenth part of the report deals with the list of units of the work.

15. The fifteenth part of the report deals with the list of definitions of the work.

accomplished by the favorable trade balance. The United States reached this point during the last war when, due to the tremendous war demand, agricultural and industrial goods were exported in quantities so much larger that we were able to switch from a Debtor to a Creditor nation. This expansion was dealt with earlier in this paper.

Finally, when a nation has accumulated vast foreign investments and is loaning funds to other nations, the reverse of the Mature Debtor cycle appears. It soon finds that the interest is larger than the new loans. In order to obtain both interest and principal, it is necessary that the nation switch from the favorable to the unfavorable balance of trade. This allows foreign nations to obtain currency or gold exchange with which to buy our goods and pay back the loans.

Unfortunately the American foreign policy has never accepted the application of this theory to the United States. We followed the first three cycles, as I have shown, but we still believe that to have exports exceed imports and, consequently, to have gold flow into the country, will make us wealthy and is the only sound policy. However, all exports are paid for by imports and not, in the long run, by the sending out of gold. By refusing to import, we are not only closing our eyes, but our pocket book as well, to the one method in which we could be repaid.

The failure to recognize this principal of trade has led us, as much as anything, to our surplus problem.

1. The first thing I noticed when I stepped
out of the car was a sense of relief.

It was a relief to be back in the city,
to be back in the heart of the matter.

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Some Economic Results

After the war, as we know, we had turned into an industrial nation. Europe, still in the post war reconstruction period, needed food and desired to pay for it in industrial goods. However, as we had matured into an industrial nation, ourselves, we refused to allow this; we wished to "protect our industry". Instead, we loaned a tremendous amount of money to Europe so they could continue to purchase our goods. When the interest reached such a stage and our credit expansion neared the end of its tether, we called an end to the loans. In the meantime Europe had sold so little to us that there was absolutely no money with which to pay us. Our consistent refusal to admit foreign goods closed their earning power and, consequently, throttled our export trade. The effect of the restricted imports was to decrease the volume of trade. But the unfortunate element in our economy was agriculture.

The purpose of the post-war foreign loans was to provide a market for our surplus food commodities and to keep the war prices fairly stable. Now, while the prices were high, the farmers produced abundantly. But with the end of new loans and even the calling in of old debts, the export market ceased, prices fell, but the supply, unfortunately, continued. This tremendous supply could not be consumed by the domestic demand, even at the low prevailing price. This led to a tremendous surplus of certain staple

commodities and, as I have mentioned, the demand for some of these commodities stays rather stable and consumption does not absorb a truly large surplus, even though prices are low.

Then, too, as I have mentioned, both industry and agriculture are dependent on each other. When agriculture hit its peak, industry also felt the prosperity in increased consumption of durable goods, expansion of industrial units, and lessening of unemployment. The opposite happened when agriculture hit the depression. Industry felt the lack of a decent farm market and a lesser demand for durable goods, falling prices, unemployment, and a contraction of industrial building.

The real maladjustment that was created by the "Great Depression" was the terrific plight of agriculture and the staggering amount of unemployment. I have attempted to show this to you. The tragedy of it all was the ever-growing surplus commodity problem on one hand, and the unemployment on the other. The idea of having millions suffering from malnutrition while a tremendous stock of agricultural goods lay stacked away in granaries has no place in any economy. The discrepancy between the supply and demand of the agricultural products can only be laid to the lack of knowledge of economic principles on the part of the men running our Government. No democracy can ever exist when millions are unemployed and starvation and plentitude exist at the same

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time. No economy harboring discontent and such obvious maladjustments can sit back idly and not try to remedy a bad situation, without expecting to see the whole social structure collapse.

The whole cause of our economic trouble lay in our not planning for the future. Both President Coolidge and President Hoover said there would be no end to this prosperity and yet, even as this was uttered, the very seeds of the pending economic catastrophe were being planted. The failure to observe the favorable and unfavorable balance of trade was a fault. True, it did protect our industry and kept prices of both agricultural and industrial goods at a high level for a time. In fact, the prices were much too high, considering the false method by which the demand was financed. But the intensity of the depression could have been eased had we planned and faced it sooner after the war. Then neither agriculture nor industry could have risen to such a dangerous level, and both would have had to face an economic adjustment much easier to deal with.

Functions of the Food Stamp Plan

With the advent of the "New Deal" in 1933, a real attempt was made to solve the farm problem. The theory was that as farm prices improved, so would industry reap benefits as the increased agricultural earnings were spent on industrial goods. To do this, it was planned to make the agricultural supply meet the current demand. In order to

accomplish this it was decided to control production and pay benefits to the farmer for keeping the production of certain surplus commodities within bounds. The result would, naturally, be to curtail the supply and tend to raise the prices, thus giving the farmer a greater earning power. But what of the existing surplus? Obviously, one could not depend on increased industrial earnings to absorb it. So in the same program another agency, the Federal Surplus Commodity Corporation, aided by supervising direct distribution to those on relief. Here all kinds of food surpluses were meted out to relief families, thus tending to reduce the quantity of surplus products placed on the market.

As time passed, a young economist in the Department of Agriculture, by the name of Fred Waugh, came up with a new plan for handling the surplus distribution. He saw clearly the maladjustment and paradox of having starvation and plenty. He realized the threat to our economy it presented. After an intensive study, he figured that among the families on relief and the W. P. A. workers their average expenditure for food per person for a week was only \$1.00. This is less than five cents a meal per person. No human body could possibly exist healthfully under these conditions. At the same time we had a tremendous stock of unsaleable food commodities. This ill was so impressed on his mind that he worked out the basic suggestion for the Food Stamp Plan and presented it to Milo Perkins, then

President of the Federal Surplus Commodities Corporation. Mr. Perkins, too, was impressed because, instead of direct distribution, this new plan, essentially a farm program, aided those unfortunate families by giving them increased food in return for their meager expenditures. The plan also aided the retail food stores which were to handle the marketing of the surplus.

Under this new plan, two different kinds of stamps, colored orange and blue, were issued. The color difference is significant.

The orange stamps must be bought and paid for; the blue stamps are given out to purchasers of the orange stamps. The head of a family on relief is entitled to buy an amount of orange stamps equal to his normal expenditure for food, and the orange stamps can be used to pay for any food article. The blue, or free stamps, can only be exchanged for certain surplus food commodities currently designated as "surplus" by the Secretary of Agriculture. The blue stamps are issued in a ratio of one for each two of orange stamps bought. The orange stamps are actually purchased by the participants. Thus, for every dollar purchased of orange stamps, which is the minimum any one person can purchase, the Government gives fifty cents in blue stamps, which can only be used to purchase the designated surplus commodities.

This means that participants are actually receiving a 50 per cent increase in the amount of food they get for their money. Each single stamp is worth twenty-five cents and every dollar spent on the orange stamps is accompanied by two blue stamps for purchase of surplus foods.

When a person has purchased these stamps, where does he go for his purchases of food? To any retail food store in the city. This must be further explained. Any retail food store merchant is eligible to accept stamps but he must first sign up with the city office of the Surplus Marketing Administration before he can accept stamps in exchange for food commodities. It is sincerely hoped by the local administrators of the plan that the participants will continue to trade in their customary retail stores, but if the merchant fails to sign up, there is nothing that can be done to keep the stamp participants from purchasing elsewhere. In fact, he would undoubtedly transfer his trade to some other and more progressive merchant who is signed up to accept food stamps.

When a merchant receives these stamps for food, he pastes them on a card furnished by the Surplus Marketing Administration. For more efficient handling, the orange and blue stamps are segregated and placed on separate cards. The dealer then signs the cards with the same name and signature he used when he filed his application to participate. Each card is worth \$10 but it does have to be completely

filled before the stamps will be redeemed.

The merchant may give these cards to his wholesaler, or jobber, his bank, or, lastly, to the office of the Food Stamp Administration in his city. In the case of the wholesaler, the merchant pays his bills as he would with a check. The wholesaler turns it in to the Surplus Marketing Administration auditing or local office for payment. When the bank is used, the merchant's account is credited and the bank handles the collection. When the cards are turned into the stamp offices direct, the merchant receives a check from the Government approximately four days after the stamps were handed in. The bank and wholesaler obtain their money by presenting the cards to the city Food Stamp Office, the same as the merchant. So, before any actual cash reimbursement is made, all cards must be cleared by the local Surplus Marketing Administration.

It might be well to mention here that the retail food merchant does not receive the surplus commodities from the Government, as was the case in the surplus warehouse of the Direct Distribution program. Instead, the merchant sells only those surplus goods which he carries in stock. As the surplus list changes each month, there are always a variety of surplus foods handled in the normal stock of its every day trade. It is not expected that all stores

I have had the pleasure of receiving your letter of the 10th inst. and in reply to inform you that the same has been forwarded to the proper authorities for their consideration. I am, Sir, very respectfully,
Your obedient servant,
J. H. [Signature]

It is with much regret that I am compelled to inform you that the same authorities have decided that the same cannot be granted at this time. I am, Sir, very respectfully,
Your obedient servant,
J. H. [Signature]

I am, Sir, very respectfully,
Your obedient servant,
J. H. [Signature]

will handle all the surplus commodities. But what they do have, they sell on blue stamps. In order to move the surplus, it is the hope of the Department of Agriculture that the increased purchasing power will result in a larger demand for these surplus goods and increase the store's stock of the above commodities.

It might appear that the merchant would have tremendous difficulties discerning the difference between orange and blue food stamps. On the contrary, it is very simple if the merchant has been properly trained. All he needs to know is that the orange stamp will buy any food commodity in a retail food store. This includes surplus foods, but it is wiser to save the blue stamps for the surplus foods. The blue stamps then purchase only those goods designated as surplus by the Secretary of Agriculture. In all cases, if a merchant will remember that this is a farm program and only food can be sold, he will have little trouble. "If you can eat it, you can sell it" was the simple rule I often used to help the merchant in his sales.

I have mentioned that the eligible participants were relief cases. This needs further explanation. This doesn't include just those on direct relief in the sense most people think. In fact, the word "relief" is unfair, since this group includes, besides General Assistance, aid to the blind, aid to dependent children, Old Age Assistance, W. P. A., and certain cases of Veterans assistance. The last two need

explanation. The W. P. A. is not certified as eligible in all cities. But why it is in some towns and not in others I don't know. However, when I left the Surplus Marketing Administration most cities were certifying them. In the case of the Veterans, where it could be shown that their total income was from compensation received because of war service, and their income was so low that their food expenditures were not adequate, the benefits of the blue stamps, only, were extended to them also. It is a sad day when young children, blind, the aged, and Veterans who once fought to preserve our democracy, are compelled to accept stamps for additional food consumption.

One of the more interesting experiences in the extension of participation is being worked out in St. Paul and Minneapolis. Here the authorities have certified those people who are earning less than the total income, including the additional benefits of the stamps, which a W. P. A. worker earns. Let us give an illustration to clarify this. A person earning \$60 a month as compared to the \$60 (plus the extra income derived from the blue stamps of the eligible W. P. A. workers) is eligible to receive the blue stamps only. If this proves successful a wider field will have been opened and a wider distribution of the surplus will have been secured.

Some Regulations Are Necessary

Naturally, a plan involving all this one does requires

some regulations. I am going to show only the more important ones and why they must be observed.

The main rule is that only food can be sold in exchange for stamps. This must be observed. The plan is essentially for the farmer. It aims to see that the disparity of surplus is overcome by increasing the consumption of the less fortunate food purchasers. To sell any non-foods disrupts the whole purpose of increasing the amount of food consumed by these people. The reason the blue stamps have been given is to make sure that only food is purchased on either stamp. To sell other than surplus foods for the blue stamps involves a misuse of Government funds. Obviously, if non-foods were allowed to be sold, no increase in food consumption would occur through the use of blue stamps. So in order that no serious deviation shall be allowed to defeat the plan to expand our already too low food consumption, the administrators have made this rule the major premise of the regulations.

The giving of cash in exchange for stamps constitutes another violation. The reason here is obvious. First, to give change on either orange or blue stamps would tend to reduce the food expenditures, as the chances are slim that this currency would be spent for food commodities, as the stamps are supposed to be spent. Secondly, if change is given on the blue stamps, the chances are nil that any of this currency would be used for surplus food commodities

which is the purpose for which the Government created the blue stamps.

As we mentioned, each stamp is worth twenty-five cents and it is to be expected that many orders will be for uneven amounts. To meet this problem, the Food Industry committee of each city sells credit slips in orange and blue colors. It is absolutely essential that when the change comes from the blue stamps, a blue credit slip, or its equivalent, in distinguishing the difference be used. This safeguards the Surplus Marketing Administration by seeing that money spent by the Government for diminishing the surplus is spent only for these surplus goods.

One of the most dangerous violations can be the holding of stamp books by retail merchants. The seriousness of this can best be illustrated. A family spending \$10 a week on orange stamps receives \$5 in blue from the Government to be used for surplus foods. An unprincipled grocer might persuade a participant to sell him the book for \$12, thus making a \$3 profit for the grocer and a \$2 gain, as far as any cash outlay is concerned, for the participant. Obviously this cannot be allowed and strict punishment must be administered.

The extension of credit or the paying of back bills with stamps is not allowed, for the reason that this would interfere with increasing the immediate food consumption. In order

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to deal fairly with the merchant who has carried a participant "on the books" before the advent of this plan, it is suggested, and recommended, by the Government that small weekly cash outlays be made to the merchant. In this way the bill tends to diminish and the merchant is making a better customer by the increased purchasing power of the participant. If the merchant fails to follow this advice, he will probably lose the bill for even without the stamp plan, repayment was often questionable. He also loses the chance to develop a better customer. Essentially, what the plan has done is to put a roof over debts incurred; it tends to see they are paid back gradually, without hurting the customer's ability to buy stamps.

The last very important rule is that all retail food merchants who are eligible for participation must display the "Surplus List", prominently in the store. This list changes monthly and the new one must replace the old. All the designated surplus commodities for the period are posted. This list enables the merchant to familiarize himself with the contents and see that only those goods which are posted are sold in exchange for the blue food order stamps.

The Principles Summarized

Now to summarize, briefly, the theory of the plan. The participant's normal expenditure for food only, prior to the stamp plan, has been frozen in orange stamps. A 50 per cent

increase in purchasing power for food, representing one-half of the amount purchased in orange stamps, is given in blue stamps for the purchase of surplus commodities only. These stamps may be exchanged at any retail food store, but it is hoped that all food purchases will be made from the participant's original grocer. The stamps may be redeemed by the wholesaler, the grocer's bank, or at any local office of the Surplus Marketing Administration. In all cases, stamp cards must be cleared from the Surplus Marketing Administration office before any cash reimbursement is made, regardless of the velocity of the food stamps in payment of food bills. To assure that increased food consumption occurs and surplus is moved, rules are enforced. The four most important are: (1) No non-foods may be sold for stamps, (2) No change for stamps can be given, (3) Holding and buying of stamp books by grocers is prohibited, and (4) All eligible grocers must display the "Surplus List".

Violations as a Threat to the Plan

It is probably safe to say that this plan for surplus removal constitutes an unusual method of marketing by the Government. Among all the various projects that have been created by the "New Deal" the Food Stamp Plan is one of the most appreciated. Anti-New Dealers, though not ardent backers of the plan, have never made it a target for political criticism. A large reason is that the Government has recognized a "Division of Labor" and allowed retail food stores to do the marketing and earn a share in the increased purchasing

power of the participant. However, even a plan as good as this one has an element which THREATENS its very EXISTENCE. This group consists of those food merchants and participants who consistently VIOLATE the plan. For there is no larger obstacle to a great future for the Food Stamp Plan than these violations. I will mince no words about this group. Any merchant who intentionally violates the Act is sabotaging it and has no better place in American eyes than a "Fifth Columnist".

I have mentioned the main basic rules of the plan. Here I wish to mention the two violations most prevalent and most dangerous to the security of the Food Stamp Act.

The sale of non-food articles is the most prevalent violation. In New York City, the largest area of merchants participating in the east, there is already 15 per cent violation. This is probably increasing. In Newark violations were reported close to the 40 per cent mark. Philadelphia and Baltimore ranged from 15 to 25 per cent violations. Obviously, this must stop. In most all cases the violations are sales of non-food articles. Yet the very name "Food Stamps" stresses food. The knowledge that it is a farmer's program emphasizes food, not brooms, soap, scrub brushes, tissue, etc. Still these violations continue. By doing so, needy families' food budgets are being cut and the money intended for the removal of surplus is being wasted.

The buying of stamp books by merchants from participants

can only be called criminal. This was explained earlier so there is no need for repetition. But to buy a \$15 book for \$12 from a participant and hand it in as certified sales for \$15 may be considered good business by merchants, but to me it is only sabotage and worth a Leavenworth sentence.

It is not enough just to say violations exist. Here are some excellent examples.

In Baltimore a chain, the Food Fair, Incorporated, had eleven stores. Seven of these were caught in actual non-food violations after having been instructed and warned. To be cited, three actual violations in each store must be found. They were and citations were sent to the Corporation. When they appeared at the regional office in Philadelphia, they pleaded "ignorance of the plan", though all had been instructed and warned. The fine was a month's supervision of all stores and a \$50 fine. In Allentown-Bethlehem, one Food Fair store alone does 45 per cent of the total stamp business of the city. In Baltimore, among the eleven stores, a tremendous volume of stamp business was made. The Food Fair officials estimate at the present rate of business a total of \$200,000 a year would be made on stamps alone. Yet with seven stores violating, only a supervision and a \$50 fine was given them. The repercussions are mainly shown in the lack of fear of being caught by the merchant.

The most gross violation I heard of was in Birmingham where a merchant sold a "fur coat" on stamps. He went to

jail and was fined.

In Newark, one of the worst cities in compliance, liquor dealers fought the plan and discouraged eligibles from participating. Why? Liquor sales would fall. To meet this threat some of them made secret arrangements with grocers and sold liquor and gave the stamps to the grocers for redemption.

Another extremely gross case, which verges on the ridiculous, but was verified by several different inspectors of the Food Stamp Plan in Philadelphia, was the acceptance of Food Stamps by a Philadelphia prostitute.

Now it is not fair to blame the merchants entirely for these violations. It takes two to make a party and so both participants and merchants are to blame. But what are the causes? Obviously, with such prevalency there must be some reason.

Ignorance of the merchant because he failed to learn the plan in the first place is one big reason. In nearly all citations "ignorance" is the plea. This can be partly the fault of the representative in not clearly explaining the plan. In many cases meetings held before large numbers of merchants for explanation of the Act were hurried, the program was poorly explained and the timidity of merchants who disliked to ask questions, all led to confusion rather than clarification.

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When store-to-store contacts were made for educational purposes, frequently the Surplus Marketing Administration minimized the benefits of the plan and consequently the merchant failed to comprehend the program. Here the inspectors neglected to sell the idea to the merchant. When stamps began to come to these skeptical store owners, they had no idea what to do and, naturally, sold anything rather than lose the business. Even when this store-to-store work was going on, there were many stores that were not reached at all and absolutely no knowledge of the plan could be seen here. These cases are all fertile grounds for violations.

In the case of larger stores the lack of efficient management is largely responsible for violations. In order to obtain the maximum profits, it is necessary to keep operating costs down. To do this, employees are paid low wages and the manager receives a salary plus percentage of sales. Naturally, then, the more the store sells the larger is the income of the manager. This, accompanied by a large turnover of labor in these stores makes knowledge of the plan generally poor and inadequate. When stamps are offered for non-food articles, they are accepted through ignorance because of the large turnover of employees and the manager's laxity in failing to explain the plan to the clerks. It is the theory of such a manager that these increased earnings, no matter what is sold, will take form in increased compensation for him, so that "the end justifies the means".

As for the participant, I think it is safe to say that in 90 per cent of the cases all demands for non-food articles are brought about by lack of knowledge of the plan. Undoubtedly, it is partly the fault of the Food Stamp Administration, but also partly of the Department of Public Welfare that this lack of knowledge exists.

To assume that the merchants force sales on the participant would take a great deal of imagination. Actually, a participant is in the same position as the merchant who has never been instructed. Neither understands the plan. In the case of the participants, no attempt is made to educate them. These persons have the distorted idea that as they purchase the orange stamps, they are free to buy what they desire. This is not so and the additional blue stamps are given to insure compliance on food purchases alone. If they do not desire to follow this restriction, they do not have to purchase stamps. The material they receive explaining the plan is only prepared in English, while many participants are foreign, or are unable to read or write. By word of mouth is the only way they will learn what to do.

The Department of Public Welfare Visitors are supposed to explain their part in the plan to the participants. Unfortunately, they have no idea of the Act and are not able to impress the rules on the minds of the participants they see. I distinctly don't like the Visitors' failure to explain how the participant's income is budgeted. For in-

stance, a certain amount is allotted for household necessities and to use food money for these articles only reduces food expenditures, as the program plans it, and increases the sale of durable goods. Until a method can be devised for educating the participant and a more progressive attitude is taken by Welfare visitors, non-compliance will exist. No matter how much you educate the merchant, there will always be some easily tempted by cash to accept stamps for non-food articles, whether the stamp holder is intentionally, or ignorantly, violating the rules.

The practice of having an inspector enter a store and just explain the functions of the plan and leave with the threat of a Government fine, without stating any reason for compliance, is another cause for violations. I admit it is a hard thing to agree that one must always have a reason for obeying. But after all, every one of us has been brought up to respect certain conventions of a high moral standing because it would make us better citizens, and in time it would yield us benefits. In such a case, we have been conventionalists because we intended to reap benefits in due time. When we were told to follow certain ideals, we might, for curiosity's sake, deviate and do the opposite to see what happened but when we did we were usually punished. However, we were told what to do, the reason for it, and then chose. It is the same case here, only the temptation of cash gain presents a stronger magnet, calling for a stronger reason.

The reason in the case of the food merchant is that he cheats himself. Every eligible retail food merchant depends 95 per cent on the sale of food commodities for his income. Such articles as soap, soap powders, brushes, brooms, tissue, etc., are for the customers' convenience and as "come in" sales. Under the stamp program, we have made previous credit customers cash customers by freezing in orange stamps their normal food expenditures prior to this plan, and raised their purchasing power of food commodities by 50 per cent through the use of blue stamps. When a merchant accepts stamps for certain non-food commodities, he detracts from his main profit and increases sales in articles that offer little profit. As the participant is allotted a certain amount for these household articles, the merchant is only using food money for this and releasing allotted money for the participants' choice of expenditure, and it usually goes for luxury goods. Now, if the merchant "plays ball", he receives the whole food allowance plus the sale of "come in" articles. Last, the consistent maltreatment of the program will result in its abandonment, thus putting the participant again in a position of less food expenditures and on a credit basis. Tell this to a food retailer and see what happens.

The participant needs a reason too. Like the merchants, it, too, is that he cheats himself, though the argument here isn't quite as plain as was the former. Here, by cutting his food purchases, he is holding back the one way to prevent malnutrition in his family. Assume he has been participating

The purpose of this report is to provide a summary of the results of the study conducted by the research team. The study was designed to investigate the effects of the proposed intervention on the target population. The results of the study are presented in the following sections.

The study was conducted in a controlled environment. The participants were recruited from a local community center. The study was designed to be a randomized controlled trial. The results of the study are presented in the following sections.

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fairly for awhile and suddenly starts his "non-economical" buys. He will find that sickness appears, and laxness in his childrens' scholastic progress result. For it is impossible for a human's system to exist in health on less than a dollar a week for food. He will find himself running up doctor bills which could be avoided. By using the "Food Stamps" for food this malnutrition will not occur and cleanliness may still be obtained if these more necessary household necessities are purchased from the budget allotment.

With the compliance problem increasing rather than diminishing, the economic result of the plan can lead only one way - the scrap heap. In the early days of the plan the compliance section was very small. It was generally believed that a plan of this sort would need no policing. However, when I left the service, the compliance section was the largest in the organization. This rise alone shows the worry non-compliance has caused among the administrators and regional officials.

The main result of the violations, economically, is the waste of Government funds that follows. Now, as long as food is being sold and blue stamps are used for the sale of surplus, no waste is encountered. But as soon as non-food articles are sold on the orange stamps, the blue stamp is being used only to make up the original participant's food budget of a dollar a week. Naturally, no increase in

I have been thinking of you very much lately
and wondering how you are getting on.
I hope you are well and happy.
I have been very busy lately
but I have managed to find some time
to write you a few lines.
I am sure you will understand
my situation and be patient with me.
I will try to write more often
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consumption is gained and an economic waste ensues.. When the blue stamp is misused by the sale of non-food articles, the desired increase in food consumption is lost and no surplus commodities are sold. These two things are the basis of the stamp program. If they are not accomplished, the whole idea of the plan is defeated and the Government money is being thrown down the drain.

Essentially, what these misuses do is stimulate the sales of certain durable goods with no additional increase in food consumption. There is no sense having a program to remedy certain economic ills if it is not carried out. Where non-compliance is general, the program becomes a subsidy to merchants on sales of durable goods instead of a subsidy to participants for the purchase of needed surplus foods. Instead of being a farmers' and participants' program to increase the sale of surplus farm products through increased consumption on the part of undernourished food buyers, it will become a merchant's program to stimulate sales of certain industrial products at the cost of the Government.

Procedure in case of Non-Compliance

Naturally, this cannot go on unchallenged by the Surplus Marketing Administration. The increase of personnel in the compliance section shows that it isn't. But the method used is not producing the desired results. However, let us see what is being done.

When the plan opens in a city, merchants are gathered in a series of meetings, where an explanation of the plan is given and the merchants may sign up if they desire. Now, whenever a reported violation occurs, inspectors are sent out to re-explain the plan. This serves as a warning. Another reported violation is investigated and after three test purchases are made and violations are found to exist, a citation to show cause is issued and the violator is prosecuted. This is the complete circuit.

In the early stages of the plan, inspectors went from door to door as salesmen and explained the plan and signed merchants up for participation. This was fine in smaller cities but the larger ones leave many merchants untouched. Also it requires a large force. The inspectors were not policemen, only helpers. Their job was education, but the lack of adequate knowledge of the plan and of human nature, on the part of the inspectors, made the result rather unsatisfactory.

The investigators are actually the same as "G Men", only they are less publicized. They are never used until their services are requested in a particular case. They also are permanent employees and receive fine salaries. When they go after a merchant, they build up an unbeatable case and then send the report to the regional prosecutor.

The next step is the regional prosecutor's "citation to show cause". When the violator appears, he pleads his

guilt or else has a lawyer defend his case. After the Government presents its evidence, the violator has the right of defense, although it is usually of no avail. Then comes the prosecution, the weak link. A beautiful example was the "Food Fair, Inc.".

As you can guess, this process involves a large expense. The inspectors are paid \$5.50 a day on a temporary appointment. The investigators receive large salaries, plus a "per diem" expense while traveling. All this for the purpose of detecting and correcting violations. Why, then, go to such expense if prosecutions are going to be so mild as to fail in their objective?

The Solution of Continued Violations

What, then, should be the future course of the Food Stamp Plan? I wholeheartedly agree with the officials; non-compliance must be stopped. But how? Under the present set-up. This is where I disagree. It is easy to criticise but I intend to offer an alternative proposal as a constructive suggestion. Essentially, my plan for non-compliance control uses the machinery already set up, but with a few additions. I prefer to call the present method the "skeleton" of the right procedure, but I don't think it goes far enough. I have a four point program which I believe will curtail non-compliance to such a new low that it, at least, will not threaten to sabotage the plan or hinder its future in the "Post War Period". These points are: (1) Education;

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(2) Better Personnel; (3) Increased publicity; and, (4) Successful "sale" of the reasons for compliance to both merchants and participants.

Education is of prime importance, but today it is only being extended to the merchant. It is my contention that non-compliance can never be stopped, no matter how intensive is the educational campaign among merchants, until a real attempt is made to educate the participants also. This has never been done. In Baltimore, however, in an attempt to encourage more participation, we were sent out to contact W. P. A. workers. This has been, as far as I know, the only organized attempt to contact the participants.

The direct education of participants would be an immense undertaking. Nevertheless, the obstacles to direct merchant education were immense also. I know, as I was on the ground floor. At first we attempted to reach each and every merchant with the Food Advisory Service. This wasn't sufficient as too many retail food stores were never contacted. Then direct meetings were instituted in its place. This, too, has faults but it has worked much better. It is my idea to have mass meetings of participants in order to explain the plan to them. Obviously, you won't have just one meeting at one place. In order to accommodate the maximum number, all Stamp Issuing Offices could be used as meeting headquarters. These offices are generally situated in centers of the city where the relief population is the

heaviest. Then, in order to minimize the difficulties of too many participants for any one meeting, different days for speaking to different categories could be assigned. The main obstacle here is whether the eligibles would come or not. It has been the experience to date with the merchants that those who are really interested would appear. It would be the same with participants also if the proper publicity is given, but that phase will be discussed later. To play safe, it may be possible to have the state officials issue the checks at the stamp offices after the meeting. I guarantee all will appear for an explanation if this happened.

As for the material to be covered with this group, economic background leading up to the plan, how it works, and how it benefits them, and the reasons why they must purchase just foods, would be ample if the explanations are stated clearly and simply by someone who knows what he is talking about.

The local "visitors" employed by the Departments of Public Welfare can be of great help here by coming into direct contact with the eligibles. But as I have already shown, a great shortcoming must be met and overcome first. In order to enlist the visitors on our side, since after all they are the eyes of the Welfare Department, I propose, with the aid of the Department officials, to have all visitors assembled

and have the local Program or Area Supervisors discuss the plan. I believe that if the visitors know what the program does and how it functions, and the economic ills it tends to eradicate, they will be 100 per cent on our side. When this has been accomplished it will be their job to stress the points covered in the meeting, consisting of the budgeted income, functions of the plan, and why non-foods are not to be purchased. Once they understand the program, they will encourage participation on the part of those whom the plan is intended to serve.

In the education of the merchants, it is important that all retail food stores, chains, associations, and independents, be contacted for the purpose of an explanation.

Of the various forms of contact the one I should like to see developed and used most is the mass meeting forum. However, before enlarging on this, let me add that a certain amount of elasticity should be given to this rule. Whenever a small town is being organized and direct contact is possible, it should be up to the local Program Supervisor which he uses. But in all cases education should be finished before the plan goes into operation.

These meetings should be conducted after working hours and in large cities three meetings a night should be held. In all cases the store owners must attend if the meeting is to accomplish its purposes. The three meetings will easily take care of all within a limited time. Also, these dis-

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cussions should be held before the food stamp program is started. So when the plan actually goes into effect, all will be reasonably well educated.

A Division of Labor can easily be used here. In the case of chains and associations it is much easier if they organize the meetings. Besides it shows a willingness to cooperate. In these cases a capable representative will be present to do the explaining. To be sure all stores will be represented, one basic rule "No store can accept stamps unless it has signed up to participate" should be adopted. Then, require that forms may only be signed at meetings. This is the step being taken in New York City and I believe it to be a step in the right direction, although in New York the men who had charge of the explaining did not do a very capable job.

In addition to these mass meetings, office contacts should be arranged. This is to be used only after the mass meetings have terminated. It will take care of those new merchants, and others, who for some reason were unable to attend the mass meetings. Also, when these mass meetings have finished, the men in charge of the educational program should be used as inspectors in order that they may keep the basic idea foremost in the minds of the grocers.

The really important thing about any education is what you say. I have pointed out the fallacy of just telling people what to do and what not to do. In every meeting the

economic background of the plan must be discussed. This is the foundation and nothing has ever endured without a base. This will explain why the program came to be. Experience taught me that many were skeptical, thinking the Act to be temporary like the old "Milk Stamps" until I explained the events leading up to the plan. After this, explain the functions and rules of the plan and, finally, explain why compliance will benefit both the participant and the merchant.

It is my contention that when a food merchant knows the foundation of the Act and the rules and the reasons for observing them, he will be more willing to comply; hence a decrease in non-compliance will result.

Another intangible reason for non-compliance, but a very real cause, is the enormous number of grocers. It is a known fact that when unemployment occurs many men will invest their savings in stores. As groceries are necessities, the majority flock to this form of store for income. The competition then is immense.

Prices are guided by competition, and when you have a flooded field, you can readily foresee what will happen. You have a supply of stores much greater than the demand for goods from each store and prices must of necessity be subjected to tremendous competition. The reduction of one price starts competition and tends to compel the other seller to offer his goods to customers on equal terms and at the

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same prices as his competitor. If not, all sales would go to the lowest seller.

In the retail food trade, this principle is not always followed and the lowest seller does actually get the business. Especially is this so when the competition is between the large and the small. It is easy to see that this form of competition can easily be conducive to violations, since in order to get extra business a man may misuse the stamps in "come in" sales".

In order to eliminate this evil, I believe that both the encouragement of participation and the detailed explanation of the plan will be necessary, together with heavy fines for violations. The encouragement of participation will increase the amount of stamps in circulation and spread the business over a wider field, thus lessening the need for violations as "come in" sales for extra business. The explanations will show the benefits to be gained by compliance and will give reasons for "playing ball". At first these practices may not completely stop all the trouble; therefore, any wilful offenders should be fined or punished heavily and news of the case should be sent to all papers, grocer chains, and associations. This will gradually cure this competitive evil.

I have mentioned the laxity in prosecutions which obviously aren't going to cause any food merchant to get "gray hairs".

Of the three types of retail food stores, chains, associations, and independents, most of the violations come from the last two. The associations are independent store owners, associated in order to meet chain competition.

In the case of a violation on the part of the chains, whenever a fine is made it is on the company, not the store manager. Likewise, in the case of the independent store, it is the owner who is liable. But in the case of the association which represents a large share of big city food stores, and which is only too willing to earn the extra stamp business, when a violation occurs the liability falls on the individual. If it is legally possible, I should like to see the association fined for every member that violates. After all, the members pay association dues and, by making the association liable, you would find them infinitely more interested in the compliance of all the members than they now are.

It is my hope that detailed preliminary education, with mass and office contacts to explain the economic foundation of the plan, the rules, and the reason to comply, will straighten out the non-compliance problem. Especially, I believe that this, with encouraged participation and heavy fines, will materially lessen the competitive condition which leads to the violations. If education and competitive corrections fail to control this problem, I have grave doubts for the future of the Food Stamp Plan.

The second step to a successful program is to create a better personnel. Not all the blame can be placed on outside sources. Some must also be placed on the administration of the stamp plan. I believe that when a tremendous amount of violations occur, it shows incompetence in the personnel of the administration. After all, the chain is just as strong as the weakest link. In order to strengthen this link, I suggest the following remedies:

As the education of merchants and participants is paramount to the best operation of the plan, it is naturally necessary that men capable of explaining the Act correctly be used. For correct explanation, men who thoroughly comprehend all phases of the Act, and its economic basis and the reasons for compliance, are needed.

This work has previously been done by what is called the "Food Advisory Service". Their job has been that of an inspector; they are the eyes of the outfit. The main fault with this group is their lack of knowledge of what the plan intends to do. They are only looking for violations and consider themselves more as "G Men" than explainers. When the Food Advisory Service was superseded by the mass meetings, this same group did the explaining. They dwelt strictly on what the rules were and what would happen if merchants and participants failed to observe them. They gave no foundation of the plan because they didn't know any. Their whole idea of the plan consisted of what could be purchased on

orange and blue stamps. Obviously this kind of instruction will not suffice.

Political pressure is one big cause for this. With the advent of the stamp plan, pressure was put on the local office and regional personnel man to get jobs for constituents. These persons had no knowledge of the plan and a complete lack of interest in the economic foundation of the stamp program. On top of this the persons hired under this pressure are usually not the most capable. Experience with the old Food Advisory Service has shown that the store-to-store education method offered the best openings for political pressure. One of the main reasons for this is that the work is considered a minor operation, therefore, A-1 personnel is not required. In order to please the bosses, it was quite easy to stuff the Advisory Service with incompetents, since all that was required was contact and explanation of the rules to grocers.

It is my contention that education is the most important phase of this Act; it requires the best of personnel. The trouble of non-compliance proves the urgent need for a strong educational unit. In order to obtain this, I suggest the elimination of store-to-store education which, in turn, will tend to eliminate the incompetent constituents hired under political pressure.

Of course, if a person has all the desired qualifications

of the United States and its own

and is on a politically cleared list he should still be hired. But essentially it is necessary to eliminate the inefficient person from the politically cleared list.

In order to obtain the maximum efficiency in the educational policy, I am suggesting, I would require a certain minimum standard of qualifications, personal and educational, for those who may be placed in educational work. After having selected the men, I propose that an intensive school be conducted to teach a comprehensive course in the economic background of the plan. With this for a foundation, the actual functions of the Stamp Act will be easily understood. Next, by concentrating on the reasons for compliance by both participants and merchants, the men will have obtained a sound enough knowledge of the theory, functions, and reasons for compliance.

Now, in order to assure that these men properly understand the plan and are proficient enough to explain it in the manner desired, a test should be given. This test should thoroughly try out the knowledge of the prospective educator in the economic ills that led to the plan, its functions, and the reasons for grocer compliance. It is my belief that if the interested public once really understands the basis for this plan, the rules and regulations will fit in with some reason and the connection between the two will be understood by food merchants, stamp participants and wholesalers.

Obviously, in order to hire the right persons, a personnel man who understands every function of the program, and has had experience handling people is essential. It is important that he have a reasonably good education, be capable of weighing fairly the value of a college degree, and be able to place a man where his ability will be of the most use. By setting up certain educational qualifications for employment, and by having a personnel man who can judge rationally on the abilities of prospective employees, placing them accordingly, a more compact and efficient organization will be developed than would otherwise be the case.

My third proposal is of a less tangible character. It involves the selling of the idea. The regional officials of the Food Stamp Plan always have believed that the program was so ideal that neither participants nor merchants would have to be sold in order for them to participate. I claim that you can not just put a plan into operation and expect 100 per cent participation and compliance to follow without thoroughly selling them the theory and benefits derived from the plan.

The highest percentage of participation is in Rochester, New York, 85 per cent, while the rest of the cities hover around the 55 per cent mark. In Baltimore, before an intensive educational campaign was set under way, the participation was 30 per cent; after the campaign wherein the plan was explained and sold to the merchants and participants, the participation was increased to 42 per cent, and the non-

1. The first part of the report is a general introduction to the subject.

2. The second part is a description of the methods used in the investigation.

3. The third part is a description of the results of the investigation.

4. The fourth part is a discussion of the results.

5. The fifth part is a conclusion and a list of references.

6. The sixth part is a list of the names of the persons who assisted in the investigation.

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10. The tenth part is a list of the names of the persons who assisted in the investigation.

11. The eleventh part is a list of the names of the persons who assisted in the investigation.

12. The twelfth part is a list of the names of the persons who assisted in the investigation.

13. The thirteenth part is a list of the names of the persons who assisted in the investigation.

14. The fourteenth part is a list of the names of the persons who assisted in the investigation.

15. The fifteenth part is a list of the names of the persons who assisted in the investigation.

16. The sixteenth part is a list of the names of the persons who assisted in the investigation.

17. The seventeenth part is a list of the names of the persons who assisted in the investigation.

18. The eighteenth part is a list of the names of the persons who assisted in the investigation.

19. The nineteenth part is a list of the names of the persons who assisted in the investigation.

20. The twentieth part is a list of the names of the persons who assisted in the investigation.

21. The twenty-first part is a list of the names of the persons who assisted in the investigation.

compliance rate was greatly reduced.

Now I fully realize that not everyone possesses sales ability. But they don't have to be salesmen in the usual sense. By selling the idea, I mean explaining the theory of the plan, and making clear the reasons why all should participate. I believe that by thus selling the plan, participation of both elements will be increased. This is necessary because the stamp plan is only as effective as its coverage through the number of stores participating. Without ample participation of merchants, you cannot expect eligibles to buy, as it would involve a change in buying habits and much inconvenience. Without buyers, no surplus is being moved and, thus, the basic idea of the plan is defeated. Most important, and something we cannot forget, is that the more buyers we have, the more the sales will increase. The larger the stamp volume to a merchant, the smaller is the danger of non-compliance. I believe this type of selling can greatly aid the promotion of the plan to all concerned.

The last part of my proposal is increased publicity. The main value of this is to let the American people know what this plan is for, and the problems we face. In no other way can we get the cooperation of the nation.

Through the use of newspapers and radio, advance announcements of meetings can be made. Explanations of the

plan can be given to those who for some reason or another were unable to attend meetings. Such publicity can inform these people where to go and what to do to be eligible for participation.

Now, as I have mentioned earlier, many food merchants and stamp purchasers cannot read English. In this case, explanations in the major foreign languages should be published in the local non-English periodicals to insure complete coverage. For ignorance of the plan by active participants cannot be tolerated as an excuse.

Whenever violations occur and are prosecuted, the proceedings should be publicized as widely as possible. By letting merchants know that the Government is not sleeping, a certain amount of wholesome fear can be instilled among prospective violators.

This will require close cooperation between the stamp office and the local papers. I believe if the editor understands what is intended to be accomplished, he will be willing to "play ball".

I have discussed a course of procedure for cleaning up the non-compliance situation. No one can guarantee that this will completely solve the problem because there is always the element of chance that something unforeseen may happen. Nevertheless, it is my contention that by educating both merchants and participants, by increasing the efficiency

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of the personnel, by use of salesmanship, and publicity, to enlist public aid, and by informing in all tongues what is being attempted and what is happening to violators, a great step will have been made in clearing away the one obstacle which prevents the plan from giving maximum aid in solving this maladjustment of our economic system.

The Stamp Plan in a World at War

All that I have covered thus far would apply to a peace time economy. The true importance of the Food Stamp Plan is to cure economic maladjustments which exist in normal times. However, with our Foreign Policy based on the complete fall of totalitarianism, we must be prepared to face any contingency. It is important that we unite and clear these existing maladjustments and present a truly united front. The prime importance of this Act is to move surplus commodities. With a large demand by warring nations for these articles, the surplus is sent abroad for consumption. The demand for food by our stamp participants is still met on such surplus commodities as are not sent abroad. But the participation in the stamp plan tends to fall during war. Why? For two reasons: (1) increased industrial demand, and (2) high cost of living.

The demand for employees in industries is created by the war boom and is felt in all industrial fields and for all goods, essential or luxury. This labor demand is met by increasing employment. As W. P. A. and relief clients

are absorbed by industry, they automatically are taken off the eligible participant list. This is the desired goal of any economy. I wish that industrial expansion would become stable and continue to absorb all on relief. That would be a true economic Democracy.

The other limitation to participation is the high cost of living. The people obtaining assistance receive only a set income. As the Defense boom increases, a largely increased demand ensues for clothes, rents, and certain kinds of food. These high costs make continued participation impossible because the increased rent and clothes costs require additional money. If the participant attempted to continue stamp purchases and not meet the increased rent, they would be evicted because no matter how horrible the house or home, there is a "housing shortage", and with such a demand, a new tenant would easily be obtained. The participant would probably be unable to do better in any case. Consequently, he is forced to curtail some expenditure. Unfortunately, it is usually the food expenditure which can be curtailed. This is too bad and should be cured, but the answer to this problem is a little too involved for the scope of this paper.

Today participation is dropping, probably from both causes. If an increase in the relief checks could be given to meet the increased cost of living, these persons forced from the plan because of this condition would still

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be able to participate. In any case, while war economy exists, the stamp plan should be kept intact, either as a skeleton force or in more active form, so that when war ends the machinery will be all set to go into immediate action.

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